



TWIGGS COUNTY BOARD OF EDUCATION JEFFERSONVILLE, GEORGIA

**ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2018
(Including Independent Auditor's Reports)**



TWIGGS COUNTY BOARD OF EDUCATION

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FINANCIAL



DEPARTMENT OF AUDITS AND ACCOUNTS

270 Washington Street, S.W., Suite 1-156
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Greg S. Griffin
STATE AUDITOR
(404) 656-2174

December 4, 2019

The Honorable Brian P. Kemp, Governor of Georgia
Members of the General Assembly of the State of Georgia
Members of the State Board of Education
and
Superintendent and Members of the
Twiggs County Board of Education

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Twiggs County Board of Education (School District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also

includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the of the governmental activities, each major fund, and the aggregate remaining fund information of the School District as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Notes 2 and 16 to the financial statements, in 2018, the School District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, as amended by GASB Statement No. 85, *Omnibus 2017*. The School District restated beginning net position for the effect of GASB Statement No. 75. Our opinions are not modified with respect to these matters.

Other Matters

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The accompanying supplementary information, as listed in the table of contents, is presented for the purposes of additional analysis and is not a required part of the basic financial statements. The *Schedule of Expenditures of Federal Awards* is presented for purposes of additional analysis as required by Title 2 U. S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is also not a required part of the basic financial statements.

The accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2019 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

A copy of this report has been filed as a permanent record in the office of the State Auditor and made available to the press of the State, as provided for by Official Code of Georgia Annotated section 50-6-24.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Greg S. Griffin". The signature is fluid and cursive, with the first and last names being more prominent.

Greg S. Griffin
State Auditor

TWIGGS COUNTY BOARD OF EDUCATION

TWIGGS COUNTY BOARD OF EDUCATION

EXHIBIT "A"

STATEMENT OF NET POSITION

JUNE 30, 2018

	Governmental Activities
<hr/>	
ASSETS	
Cash and cash equivalents	\$ 2,741,516
Receivables:	
Taxes	433,394
Intergovernmental:	
State	510,368
Federal	601,165
Other	6,253
Inventory	16,389
Capital assets (nondepreciable)	191,067
Capital assets (depreciable, net of accumulated depreciation)	<u>11,386,911</u>
Total assets	<u>15,887,063</u>
 DEFERRED OUTFLOWS	
Pensions	2,133,124
OPEB	<u>563,831</u>
Total deferred outflows	<u>2,696,955</u>
 LIABILITIES	
Accounts payable	304,630
Salaries and benefits payable	833,146
Accrued interest payable	8,598
Unearned revenue	90,784
Bonds payable, due within one year	710,000
Bonds payable, due in more than one year	2,005,000
Capital leases due within one year	109,377
Capital leases due in more than one year	66,293
Net pension liability	9,190,992
Net OPEB liability	<u>8,726,430</u>
Total liabilities	<u>22,045,250</u>
 DEFERRED INFLOWS	
Pensions	571,798
OPEB	<u>664,496</u>
Total deferred inflows	<u>1,236,294</u>
 NET POSITION	
Net investment in capital assets	10,028,987
Restricted for:	
Bus replacement	62,443
Continuation of federal programs	276,877
Capital projects	45,823
Debt service	511,659
Unrestricted (deficit)	<u>(15,623,315)</u>
Total net position (deficit)	<u><u>\$ (4,697,526)</u></u>

The accompanying notes are an integral part of these financial statements.

TWIGGS COUNTY BOARD OF EDUCATION

EXHIBIT "B"

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position Governmental Activities</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental activities:					
Instruction	\$ 6,402,121	\$ -	\$ 3,654,117	\$ -	\$ (2,748,004)
Support services:					
Pupil services	639,423	-	250,296	-	(389,127)
Improvement of instructional services	1,299,776	-	1,244,823	-	(54,953)
Educational media services	121,155	-	102,223	-	(18,932)
General administration	412,567	-	443,304	-	30,737
School administration	733,954	-	363,670	-	(370,284)
Business administration	421,871	-	6,427	-	(415,444)
Maintenance and operation of plant	1,379,546	-	257,741	-	(1,121,805)
Student transportation services	1,087,247	-	317,991	-	(769,256)
Central support services	1,688	-	1,688	-	-
Other support services	184,392	-	164,615	-	(19,777)
Food service operations	793,295	15,640	673,303	-	(104,352)
Community service operation	49,907	-	48,500	-	(1,407)
Interest on long-term debt	37,096	-	-	-	(37,096)
Total governmental activities	<u>\$ 13,564,038</u>	<u>\$ 15,640</u>	<u>\$ 7,528,698</u>	<u>\$ -</u>	<u>\$ (6,019,700)</u>

General revenues:

Taxes:

Property taxes, levied for maintenance and operations	\$ 4,259,894
Sales taxes, for capital projects	620,686
Intangible taxes	13,522
Transfer taxes	4,891
Railroad equipment tax	41,424
Unrestricted investment earnings	5,422
Miscellaneous	295,109
Total general revenues	<u>\$ 5,240,948</u>
Change in net position	(778,752)
Net position (deficit), beginning of year, as restated	(3,918,774)
Net position (deficit), end of year	<u>\$ (4,697,526)</u>

The accompanying notes are an integral part of these financial statements.

TWIGGS COUNTY BOARD OF EDUCATION

EXHIBIT "C"

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018**

ASSETS	General	Capital Projects	Debt Service	Total Governmental Funds
Cash and cash equivalents	\$ 1,064,484	\$ 1,522,497	\$ 154,535	\$ 2,741,516
Receivables:				
Taxes	433,394	-	-	433,394
Intergovernmental:				
State	510,368	-	-	510,368
Federal	601,165	-	-	601,165
Other	6,253	-	-	6,253
Due from other funds	14,233			14,233
Inventory	16,389	-	-	16,389
Total assets	\$ 2,646,286	\$ 1,522,497	\$ 154,535	\$ 4,323,318
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 258,597	\$ 46,033	\$ -	\$ 304,630
Salaries and benefits payable	833,146	-	-	833,146
Due to other funds		14,233	-	14,233
Unearned revenue	90,784	-	-	90,784
Total liabilities	1,182,527	60,266	-	1,242,793
DEFERRED INFLOWS				
Unavailable revenue - property taxes	271,474	-	-	271,474
Total deferred inflows	271,474	-	-	271,474
FUND BALANCES				
Nonspendable: inventory	16,389	-	-	16,389
Restricted for:				
Continuation of federal programs	260,488	-	-	260,488
Bus replacement	62,443	-	-	62,443
Debt service		365,722	154,535	520,257
Capital projects	-	1,096,509	-	1,096,509
Assigned for:				
Assigned for student activities	35,512	-	-	35,512
Unassigned	817,453	-	-	817,453
Total fund balances	1,192,285	1,462,231	154,535	2,809,051
Total liabilities, deferred inflows, and fund balances	\$ 2,646,286	\$ 1,522,497	\$ 154,535	\$ 4,323,318

The accompanying notes are an integral part of these financial statements.

TWIGGS COUNTY BOARD OF EDUCATION
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2018

EXHIBIT "D"

Total fund balances - governmental funds (Exhibit "C")		\$	2,809,051
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities are not financial resources and are not reported in the funds.			
	Cost	\$ 25,701,165	
	Less accumulated depreciation	<u>(14,123,187)</u>	11,577,978
Other long-term assets are not available to pay for current-period expenditures and are reported as unavailable revenue in the funds.			
	Property taxes		271,474
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.			
	Bonds	\$ (2,715,000)	
	Capital leases	(175,670)	
	Net pension liability	(8,726,430)	
	Net OPEB liability	(9,190,992)	
	Deferred outflows - pensions	2,133,124	
	Deferred outflows - OPEB	563,831	
	Deferred inflows - pensions	(571,798)	
	Deferred inflows - OPEB	(664,496)	
	Accrued interest	<u>(8,598)</u>	<u>(19,356,029)</u>
Net position of governmental activities (Exhibit "A")		\$	<u><u>(4,697,526)</u></u>

The accompanying notes are an integral part of these financial statements.

TWIGGS COUNTY BOARD OF EDUCATION

EXHIBIT "E"

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
REVENUES				
Property taxes	\$ 4,213,001	\$ -	\$ -	\$ 4,213,001
Sales taxes	18,413	620,686	-	639,099
Other taxes	41,424	-	-	41,424
State funds	4,335,009	-	-	4,335,009
Federal funds	3,153,080	-	-	3,153,080
Charges for services	15,640	-	-	15,640
Investment earnings	2,423	921	2,078	5,422
Miscellaneous	295,109	-	-	295,109
Total revenues	<u>\$ 12,074,099</u>	<u>\$ 621,607</u>	<u>\$ 2,078</u>	<u>\$ 12,697,784</u>
EXPENDITURES				
Current:				
Instruction	\$ 5,570,216	\$ 2,861	\$ -	\$ 5,573,077
Support Services:				
Pupil services	621,550	-	-	621,550
Improvement of instructional services	1,254,943	-	-	1,254,943
Educational media services	112,220	-	-	112,220
General administration	402,120	-	-	402,120
School administration	700,548	-	-	700,548
Business administration	351,946	52,456	-	404,402
Maintenance and operation of plant	1,287,624	97,883	-	1,385,507
Student transportation services	715,178	290,392	-	1,005,570
Central support services	1,688	-	-	1,688
Other support services	176,769	-	-	176,769
Food service operation	824,771	-	-	824,771
Community service operation	49,907	-	-	49,907
Debt service:				
Principal retirement	44,322	668,871	80,000	793,193
Interest and fees	2,526	27,988	6,188	36,702
Total expenditures	<u>\$ 12,116,328</u>	<u>\$ 1,140,451</u>	<u>\$ 86,188</u>	<u>\$ 13,342,967</u>
Deficiency of revenues under expenditures	<u>\$ (42,229)</u>	<u>\$ (518,844)</u>	<u>\$ (84,110)</u>	<u>\$ (645,183)</u>
OTHER FINANCING SOURCES				
Issuance of capital lease	\$ -	\$ 198,974	\$ -	\$ 198,974
Issuance of bonds	-	1,365,000	-	1,365,000
Total other financing sources	<u>\$ -</u>	<u>\$ 1,563,974</u>	<u>\$ -</u>	<u>\$ 1,563,974</u>
Net change in fund balances	\$ (42,229)	\$ 1,045,130	\$ (84,110)	\$ 918,791
FUND BALANCE, beginning of year	<u>1,234,514</u>	<u>417,101</u>	<u>238,645</u>	<u>1,890,260</u>
FUND BALANCE, end of year	<u>\$ 1,192,285</u>	<u>\$ 1,462,231</u>	<u>\$ 154,535</u>	<u>\$ 2,809,051</u>

The accompanying notes are an integral part of these financial statements.

TWIGGS COUNTY BOARD OF EDUCATION

EXHIBIT "F"

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Net change in fund balances - total governmental funds (Exhibit "E")	\$	918,791
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The net effect of the amount by which depreciation expense exceeded capital outlay is to decrease net position.

Capital outlay	\$	186,668	
Depreciation expense		<u>(720,568)</u>	(533,900)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property taxes		46,893
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Issuance of long-term debt provides current financial resources to governmental funds, while repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Principal payments - bonds	\$	680,000	
Issuance of capital lease		(198,974)	
Issuance of bonds		(1,365,000)	
Pension expense		(191,412)	
OPEB expense		(247,949)	
Capital lease payments		<u>113,193</u>	(1,210,142)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Change in accrued interest		<u>(394)</u>
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Change in net position of governmental activities (Exhibit "B")	\$	<u><u>(778,752)</u></u>
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The accompanying notes are an integral part of these financial statements.

TWIGGS COUNTY BOARD OF EDUCATION

EXHIBIT "G"

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2018**

		Agency Funds
ASSETS		
Cash		\$ 17,254
LIABILITIES		
Funds held for others		\$ 17,254

The accompanying notes are an integral part of these financial statements.

TWIGGS COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS EXHIBIT “H”
JUNE 30, 2018

Note 1: DESCRIPTION OF SCHOOL DISTRICT AND REPORTING ENTITY

Reporting Entity

The Twiggs County Board of Education (“School District”) was established under the laws of the State of Georgia and operates under the guidance of a school board elected by the voters and a Superintendent appointed by the Board. The Board is organized as a separate legal entity and has the power to levy taxes and issue bonds. Its budget is not subject to approval by any other entity. Accordingly, the School District is a primary government and consists of all the organizations that compose its legal entity.

The Twiggs County Recreation Authority (the “Recreation Authority”) was created by House Bill 1897 during the 1996 session of the Georgia General Assembly. The purpose of the Authority is to acquire, construct, own and convey real and personal property for the benefit of the citizens of Twiggs County. The members of the Authority consist of the Chairperson of the Twiggs County Board of Education, the Superintendent of the Twiggs County Board of Education, the Chairperson of the Board of Commissioners of Twiggs County, one non-governmental citizen member appointed by the Twiggs County Board of Education and one non-governmental citizen member appointed by the Board of Commissioners of Twiggs County.

The Recreation Authority qualifies as a component unit of the School District under Government Accounting Standards Board Statement (“GASBS”) No. 14, *the Financial Reporting Entity*, GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units* and GASB 61, *the Financial Reporting Entity: Omnibus*. However, currently there are no standing members of the Recreation Authority and no financial activity. As of the year ended June 30, 2018, the Recreation Authority has no assets or liabilities. The Recreation Authority Bonds, Series 2001, as described in Note 10, are paid by the School District. As such, the basic financial statements of the School District do not include the financial activity of the Recreation Authority.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the School District have been prepared in conformity with generally accepted accounting principles (“GAAP”) as prescribed by the Governmental Accounting Standards Board (“GASB”). GASB is the accepted standard-setting body for governmental accounting and financial reporting principles. The most significant of the School District’s accounting policies are described below.

Basis of Presentation

The School District's basic financial statements are collectively comprised of the government-wide financial statements, fund financial statements and notes to the basic financial statements of the Twiggs County Board of Education. The government-wide statements focus on the School District as a whole, while the fund financial statements focus on major funds. Each presentation provides valuable information that can be analyzed and compared between years and between governments to enhance the information’s usefulness.

TWIGGS COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS **EXHIBIT “H”**
JUNE 30, 2018

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

Government-wide Statements

The Statement of Net Position and the Statement of Activities display information about the financial activities of the overall School District, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The Statement of Net Position presents the School District's non-fiduciary assets and liabilities, with the difference reported as net position. Net position is reported in three categories as follows:

1. **Net investment in capital assets** consists of the School District's total investment in capital assets, net of accumulated depreciation, and reduced by outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.
2. **Restricted net position** consists of resources for which the School District is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties or imposed by law through constitutional provisions or enabling legislation.
3. **Unrestricted net position** consists of resources not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the School District's governmental activities.

Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expenses (expenses of the School District related to the administration and support of the School District's programs, such as office and maintenance personnel and accounting) are not allocated to programs.

Program revenues include: (a) charges paid by the recipients of goods or services offered by the programs, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

TWIGGS COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS **EXHIBIT “H”**
JUNE 30, 2018

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

Fund Financial Statements

The fund financial statements provide information about the School District's funds, including fiduciary funds. Eliminations have been made to minimize the double counting of internal activities. Separate statements are presented for governmental and fiduciary funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

The School District reports the following major governmental funds:

- The *General Fund* is the School District's primary operating fund. It accounts for and reports all financial resources of the School District, except those resources required to be accounted for in another fund.
- The *Capital Projects Fund* accounts for and reports financial resources including Education Special Purpose Local Option Sales Tax (“ESPLOST”) and bond proceeds that are restricted, committed, or assigned to the expenditure for capital outlay expenditures, including the acquisition or construction of capital facilities and other capital assets.
- The *Debt Service Fund* accounts for and reports financial resources that are restricted, committed, or assigned including taxes (sales) legally restricted for the payment of general long-term principal and interest.

The School District reports the following fiduciary fund type:

- The *Agency Funds* are used to report resources held by the School District in a purely custodial capacity (assets equal liabilities) and do not involve measurement of results of operations.

Basis of Accounting

The basis of accounting determines when transactions are reported on the financial statements. The School District's government-wide governmental and fiduciary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the School District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, sales taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from sales taxes is recognized in the fiscal year in which the underlying transaction (sale) takes place. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

TWIGGS COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS **EXHIBIT “H”**
JUNE 30, 2018

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (Continued)

The School District uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

Governmental funds are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Under this method, revenues are recognized when measurable and available. The School District considers all tax revenues reported in the governmental funds to be available if they are collected within 60 days after year-end. All other revenues are considered to be available if collected within 120 days after year-end. Property taxes, sales taxes, and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term liabilities and acquisitions under capital leases are reported as other financing sources.

The School District funds certain programs by a combination of specific cost-reimbursement grants, categorical grants, and general revenues. Thus, when program costs are incurred, there are both restricted and unrestricted net position available to finance the program. It is the School District's policy to first apply grant resources to such programs, followed by cost-reimbursement grants, then general revenues.

The State of Georgia reimburses the School System for teachers' salaries and operating costs through the Quality Basic Education ("QBE") Formula Earnings program. State of Georgia law defines the formula driven grant that determines the cost of an academic school year and the State of Georgia's share in this cost. Generally teachers are contracted for the school year (July 1 – June 30) and paid over a 12-month contract period, generally September 1 through August 31. In accordance with the requirements of the enabling legislation of the QBE program, the State of Georgia reimburses the School System over the same 12-month period in which teachers are paid, funding the academic school year expenditures. At June 30, the amount of teachers' salaries incurred but not paid until July and August of the subsequent year are accrued as the State of Georgia has only postponed the final payment of their share of the cost until the subsequent appropriations for cash management purposes. By June 30 of each year, the State of Georgia has a signed appropriation that includes this final amount, which represents the State of Georgia's intent to fund this final payment. Based on guidance in *Government Accounting Standards Board ("GASB") Statement No. 33, paragraph 74*, the State of Georgia recognizes its QBE liability for the July and August salaries at June 30, and the School System recognizes the same QBE as a receivable and revenue, consistent with symmetrical recognition.

TWIGGS COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS **EXHIBIT “H”**
JUNE 30, 2018

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Account Pronouncements

In fiscal year 2018, the School District adopted Governmental Accounting Standards Board (“GASB”) Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other than Pensions*. This statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed. The adoption of this statement has a significant impact on the School District’s financial statements. As noted in the Restatement of Net Position note disclosure, the School District restated beginning net position for the cumulative effect of this accounting change.

In fiscal year 2018, the School District adopted Governmental Accounting Standards Board Statement No. 81, *Irrevocable Split-Interest Agreements*. This statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This statement requires that a government recognize revenue when the resources become applicable to the reporting period. The adoption of this statement does not have a significant impact on the School District’s financial statement.

In fiscal year 2018, the School District adopted Governmental Accounting Standards Board Statement No. 85, *Omnibus 2017*. The objective of this statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and post-employment benefits (pensions and other post-employment benefits [“OPEB”]). The adoption of this statement does not have a significant impact on the School District’s financial statement.

In fiscal year 2018, the School District adopted Governmental Accounting Standards Board Statement No. 86, *Certain Debt Extinguishment Issues*. The primary objective of this statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The adoption of this statement does not have a significant impact on the School District’s financial statement.

**TWIGGS COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS EXHIBIT “H”
JUNE 30, 2018**

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

Composition of Deposits – Cash and cash equivalents consist of cash on hand, demand deposits, investments in the State of Georgia local government investment pool (Georgia Fund 1) and short-term investments with original maturities of three months or less from the date of acquisition in authorized financial institutions. Official Code of Georgia Annotated (“O.C.G.A.”) Section 45-8-14 authorizes the School District to deposit its funds in one or more solvent banks, insured Federal savings and loan associations, or insured chartered building and loan associations.

Investments

Composition of Investments – The School District can invest its funds as permitted by O.C.G.A. Section 36-83-4. In selecting among options for investment or among institutional bids for deposits, the highest rate of return shall be the objective, given equivalent conditions of safety and liquidity.

The School District does not have a formal policy regarding investment policies that address credit risks, custodial credit risks, concentration of credit risks, interest rate risks or foreign currency risks.

Investments made by the School District in nonparticipating interest-earning contracts (such as certificates of deposit) and repurchase agreements are reported at cost. Participating interest-earning contracts and money market investments with a maturity at purchase of one year or less are reported at amortized cost. All other investments are reported at fair value.

For accounting purposes, certificates of deposit are classified as investments if they have an original maturity greater than three months when acquired.

Receivables

Receivables consist of amounts due from property and sales taxes, grant reimbursements from Federal, state or other grants for expenditures made, but not reimbursed and other receivables disclosed from information available. Receivables are recorded when either the asset or revenue recognition criteria has been met. Receivables recorded on the basic financial statements do not include any amounts which would necessitate the need for an allowance for uncollectible receivables.

Due to other funds and due from other funds consist of activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year.

TWIGGS COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS **EXHIBIT “H”**
JUNE 30, 2018

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories

Food Inventories – On the basic financial statements, inventories of donated food commodities used in the preparation of meals are reported at their federally assigned value and purchased foods inventories are reported at cost (first-in, first-out). The School District uses the consumption method to account for inventories whereby donated food commodities are recorded as an asset and as revenue when received, and expenses/expenditures are recorded as the inventory items are used. Purchased foods are recorded as an asset when purchased and expenses/expenditures are recorded as the inventory items are used.

Capital Assets

On the government-wide financial statements, capital assets are recorded at cost where historical records are available and at estimated historical cost based on appraisals or deflated current replacement cost where no historical records exist. Donated capital assets are recorded at acquisition value on the date donated. The cost of normal maintenance and repairs that do not add to the value of assets or materially extend the useful lives of the assets is not capitalized. The School District does not capitalize book collections or works of art.

Capital acquisition and construction are recorded as expenditures in the governmental fund financial statements at the time of purchase (including ancillary charges), and the related assets are reported as capital assets in the governmental activities column in the government-wide financial statements.

Depreciation is computed using the straight-line for all assets, except land, and is used to allocate the actual or estimated historical cost of capital assets over estimated useful lives.

Capitalization thresholds and estimated useful lives of capital assets reported in the government-wide statements are as follows:

	<u>Capitalization Policy</u>	<u>Estimated Useful Life</u>
Land	All	N/A
Land Improvements	\$ 10,000	15 - 20 Years
Buildings and Improvements	10,000	5 - 50 Years
Equipment	10,000	3 - 20 Years

TWIGGS COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS **EXHIBIT “H”**
JUNE 30, 2018

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or governmental funds balance sheet will report a separate section for *deferred outflows of resources*. This separate financial statement element represents a consumption of resources that applies to a future period(s) and, therefore, will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position and/or governmental funds balance sheet will report a separate section for *deferred inflows of resources*. This separate financial statement element represents an acquisition of resources that applies to a future period(s) and, therefore, will not be recognized as an inflow of resources (revenue) until that time.

Long-Term Liabilities and Bond Discounts/Premiums

In the School District’s government-wide financial statements, outstanding debt is reported as liabilities. Bond premiums and discounts and the difference between the reacquisition price and the net carrying value of refunded debt are deferred and amortized over the life of the bonds using the straight-line method. To conform to generally accepted accounting principles, bond premiums and discounts should be amortized using the effective interest method. The effect of this deviation is deemed to be immaterial to the fair presentation of the basic financial statements. Bond issuance costs are recognized as an outflow of resources in the fiscal year in which the bonds are issued.

In the governmental fund financial statements, the School District recognizes the proceeds of debt and premiums as other financing sources of the current period. Bond issuance costs are reported as debt service expenditures.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources, deferred inflows of resources related to pensions, and pension expense, information about the pension plan’s fiduciary net position and additions to/deductions from the plan’s fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Post-employment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Georgia School Employees Post-employment Benefit Fund (“School OPEB Fund”) and additions to/deductions from School OPEB Fund fiduciary net position have been determined on the same basis as they are reported by School OPEB Fund. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

TWIGGS COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS **EXHIBIT “H”**
JUNE 30, 2018

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balances

Fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

The School District’s fund balances are classified as follows:

Nonspendable – Amounts that are not in spendable form (e.g., inventory and prepaid items) or are legally or contractually required to be maintained intact (e.g., permanent fund principal).

Restricted – Constraints placed on the use of resources are either (1) externally imposed conditions by creditors, grantors, contributors, or laws and regulations of other governments or (2) imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts that can only be used for the specific purposes determined by a formal action of the Board of Education. The Board of Education is the School District's highest level of decision-making authority, and the formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is a resolution approved by the Board. Committed fund balance also should incorporate contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – Amounts that are constrained by the School District’s intent to be used for specific purposes, but are neither restricted nor committed. The intent should be expressed by (1) the Board of Education or (2) the budget or finance committee, or the Superintendent, or designee, to assign amounts to be used for specific purposes.

Unassigned – Amounts within the General Fund not meeting the definition of any aforementioned category. The General Fund is the only fund that reports positive unassigned fund balance. In other governmental funds, it may be necessary to report a negative unassigned fund balance.

The fund balance of the School District’s General Fund has been accumulated to meet the purpose of providing stability and flexibility to respond to unexpected adversity and/or opportunities. The School District’s basic goal is to maintain annual expenditure increases necessary to provide a consistent educational environment satisfactory to its citizens and to limit expenditures to anticipate revenue in order to maintain a balanced budget.

When multiple categories of fund balance are available for expenditure, the School District will start with the most restricted category and spend those funds first before moving down to the next category with available funds.

TWIGGS COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS EXHIBIT “H”
JUNE 30, 2018

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Property Taxes

The Twiggs County Board of Commissioners set the property tax levy for the 2017 tax digest year (calendar year) on August 22, 2017 (levy date) based on property values as of January 1, 2017. Taxes were due on November 30, 2017 (lien date). Taxes collected within the current fiscal year or within 60 days after year-end on the 2017 tax digest are reported as revenue in the governmental funds for fiscal year 2018. The Twiggs County Tax Commissioner bills and collects the property taxes for the School District, withholds 2.5% of taxes collected as a fee for tax collection and remits the balance of taxes collected to the School District. Property tax revenues, at the fund reporting level, during the fiscal year ended June 30, 2018, for maintenance and operations amounted to \$3,965,670. The tax millage rate levied for the 2017 tax year (calendar year) for the Twiggs County Board of Education was as follows (a mill equals \$1 per thousand dollars of assessed value):

School Operations	<u>16.600</u> mills
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Additionally, Title Ad Valorem Tax revenues, at the fund reporting level, amounted to \$247,331 during fiscal year ended June 30, 2018.

Sales Taxes

Education Special Purpose Local Option Sales Tax (ESPLOST), at the fund reporting level, during the year amounted to \$620,686 and is to be used for capital outlay for educational purposes or debt service. This sales tax was authorized by local referendum and the sales tax must be re-authorized at least every five years.

Note 3: BUDGETS

The budget is a complete financial plan for the School District's fiscal year, and is based upon careful estimates of expenditures together with probable funding sources. The budget is legally adopted each year for the General Fund. There is no statutory prohibition regarding over expenditure of the budget at any level. The budget for all governmental funds, except the various school activity (principal) accounts, is prepared and adopted by fund, function and object. The legal level of budgetary control was established by the Board at the aggregate function level. The budget for the General Fund was prepared in accordance with accounting principles generally accepted in the United States of America.

TWIGGS COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS EXHIBIT “H”
JUNE 30, 2018

Note 3: BUDGETS (Continued)

The budgetary process begins with the School District’s administration presenting an initial budget for the Board’s review. The administration makes revisions as necessary based on the Board’s guidelines and a tentative budget is approved. After approval of this tentative budget by the Board, such budget is advertised at least once in a newspaper of general circulation in the locality, as well as the School District’s website. At the next regularly scheduled meeting of the Board after advertisement, the Board receives comments on the tentative budget, makes revisions as necessary and adopts a final budget. The approved budget is then submitted, in accordance with provisions of the Official Code of Georgia Annotated (“O.C.G.A.”), Section 20-2-167(c), to the Georgia Department of Education. The Board may increase or decrease the budget at any time during the year. All unexpended budget authority lapses at fiscal year-end.

The Superintendent is authorized by the Board to approve adjustments for expenditures within any budget function for any fund. Expenditures may not exceed the total appropriation at the aggregate level by function without the board’s approval of a budget amendment. Under no circumstance is the Superintendent or other staff person authorized to spend funds that exceed the total budget without approval by the Board.

See the General Fund Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual in the Required Supplementary Information section for a detail of any over/under expenditures during the fiscal year under review.

Note 4: DEPOSITS

Collateralization of Deposits – The O.C.G.A. Section 45-8-12 provides that there shall not be on deposit at any time in any depository for a time longer than ten days a sum of money which has not been secured by surety bond, by guarantee of insurance, or by collateral. The aggregate of the face value of such surety bond and the market value of securities pledged shall be equal to not less than 110% of the public funds being secured after the deduction of the amount of deposit insurance. If a depository elects the pooled method (O.C.G.A. 45-8-13.1) the aggregate of the market value of the securities pledged to secure a pool of public funds shall be not less than 110% of the daily pool balance.

Acceptable security for deposits consists of any one of or any combination of the following:

- (1) Surety bond signed by a surety company duly qualified and authorized to transact business within the State of Georgia,
- (2) Insurance on accounts provided by the Federal Deposit Insurance Corporation,
- (3) Bonds, bills, notes, certificates of indebtedness or other direct obligations of the United States or of the State of Georgia,
- (4) Bonds, bills, notes, certificates of indebtedness or other obligations of the counties or municipalities of the State of Georgia,

TWIGGS COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS **EXHIBIT “H”**
JUNE 30, 2018

Note 4: DEPOSITS (CONTINUED)

Collateralization of Deposits (Continued)

- (5) Bonds of any public authority created by the laws of the State of Georgia, providing that the statute that created the authority authorized the use of the bonds for this purpose,
- (6) Industrial revenue bonds and bonds of development authorities created by the laws of the State of Georgia, and
- (7) Bonds, bills, notes, certificates of indebtedness, or other obligations of a subsidiary corporation of the United States government, which are fully guaranteed by the United States government both as to principal and interest or debt obligations issued by the Federal Land Bank, the Federal Home Loan Bank, the Federal Intermediate Credit Bank, the Central Bank for Cooperatives, the Farm Credit Banks, the Federal Home Loan Mortgage Association, and the Federal National Mortgage Association.

Categorization of Deposits – Custodial credit risk is the risk that, in the event of bank failure, the School District’s deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. At June 30, 2018, the School District had deposits with a carrying amount of \$2,605,233 (excluding cash equivalents) and a bank balance of \$2,726,917. The bank balances insured by Federal depository insurance were \$500,000 and the bank balances collateralized with securities held by the pledging institution’s trust department or agent in the School District’s name were \$2,226,917.

Reconciliation of cash and cash equivalents to carrying value of deposits:

Statement of Net Position	
Cash and cash equivalents	\$ 2,741,516
Statement of Fiduciary Net Position	
Cash and cash equivalents	17,254
Total cash and cash equivalents	<u>2,758,770</u>
Less: Investment pool reported as cash and cash equivalents:	
Georgia Fund 1	<u>(153,537)</u>
Total carrying value of deposits - June 30, 2018	<u><u>\$ 2,605,233</u></u>

Categorization of Cash Equivalents – The School District reported cash equivalents of \$153,537 in Georgia Fund 1, a local government investment pool, which is included in the cash balances above. Georgia Fund 1 is not registered with the SEC as an investment company and does not operate in a manner consistent with the SEC’s Rule 2a-7 of the Investment Company Act of 1940. The investment is valued at the pool’s share price, \$1 per share, which approximates fair value. The pool is an AA+ rated investment pool by Standard and Poor’s. The weighted average maturity of Georgia Fund 1 may not exceed 60 days. The weighted average maturity for Georgia Fund 1 on June 30, 2018, was ten days.

TWIGGS COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS **EXHIBIT “H”**
JUNE 30, 2018

Note 4: DEPOSITS (CONTINUED)

Categorization of Cash Equivalents (Continued)

Georgia Fund 1, administered by the State of Georgia, Office of the State Treasurer is not required to be categorized since the School District did not own any specific identifiable securities in the pool. The investment policy of the State of Georgia, Office of the State Treasurer for the Georgia Fund 1 does not provide for investment in derivatives or similar investments.

Additional information on the Georgia Fund 1 is disclosed in the *State of Georgia* Comprehensive Annual Financial Report. This audit can be obtained from the Georgia Department of Audits and Accounts at www.audits.ga.gov/SGD/CAFR.html.

Note 5: NON-MONETARY TRANSACTIONS

The School District receives food commodities from the United States Department of Agriculture (USDA) for school breakfast and lunch programs. These commodities are recorded at their Federally assigned value. **See Note 2 – Inventories**

Note 6: CAPITAL ASSETS

The following is a summary of changes in the capital assets during the fiscal year:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 140,642	\$ -	\$ -	\$ -	\$ 140,642
Construction in progress	-	50,425	-	-	50,425
Total	<u>140,642</u>	<u>50,425</u>	<u>-</u>	<u>-</u>	<u>191,067</u>
Capital assets, being depreciated:					
Buildings and improvements	17,800,542	74,990	-	-	17,875,532
Equipment	2,598,084	61,253	(19,100)	-	2,640,237
Intangible assets	23,750	-	-	-	23,750
Land improvements	4,970,579	-	-	-	4,970,579
Total	<u>25,392,955</u>	<u>136,243</u>	<u>(19,100)</u>	<u>-</u>	<u>25,510,098</u>
Less accumulated depreciation for:					
Buildings and improvements	(7,953,816)	(326,993)	-	-	(8,280,809)
Equipment	(1,661,900)	(179,562)	19,100	-	(1,822,362)
Intangible assets	(19,000)	(4,750)	-	-	(23,750)
Land improvements	(3,787,003)	(209,263)	-	-	(3,996,266)
Total	<u>(13,421,719)</u>	<u>(720,568)</u>	<u>19,100</u>	<u>-</u>	<u>(14,123,187)</u>
Total capital assets, being depreciated, net	<u>11,971,236</u>	<u>(584,325)</u>	<u>-</u>	<u>-</u>	<u>11,386,911</u>
Governmental activities capital assets, net	<u>\$ 12,111,878</u>	<u>\$ (533,900)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,577,978</u>

TWIGGS COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS **EXHIBIT “H”**
JUNE 30, 2018

Note 6: CAPITAL ASSETS (CONTINUED)

Current year depreciation expense by function is as follows:

Instruction		\$	579,979
Support services			
Maintenance and operations	\$	14,889	
Student transportation		<u>99,571</u>	114,460
Food services			<u>26,129</u>
Total depreciation expense		\$	<u><u>720,568</u></u>

Note 7: INTERFUND PAYABLES AND RECEIVABLES

Due to and due from other funds are recorded for interfund receivables and payables which arise from interfund transactions. These balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. Interfund balances at June 30, 2018, consisted of the following:

	<u>Due To</u>	<u>Due From</u> <u>Capital Projects</u> <u>Fund</u>
General Fund		\$ <u><u>14,233</u></u>

Note 8: RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors or omissions; job related illness or injuries to employees, natural disasters and unemployment compensation.

The School District has obtained commercial insurance for risk of loss associated with torts, assets, errors or omissions, and job related illnesses or injuries to employees. The School District has neither significantly reduced coverage for these risks nor incurred losses (settlements) which exceeded the School District's insurance coverage in any of the past three years.

The School District has elected to self-insure for all potential losses of property due to natural disasters. The School District has not experienced any losses related to this risk in the past three years.

TWIGGS COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS **EXHIBIT “H”**
JUNE 30, 2018

Note 8: RISK MANAGEMENT (CONTINUED)

The School District is self-insured with regard to unemployment compensation claims. The School District accounts for claims within the General Fund with expenses/expenditures and liability being reported when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated.

Changes in the unemployment compensation claims liability during the last two fiscal years are as follows:

	<u>Beginning of Year Liability</u>	<u>Claims and Changes in Estimates</u>	<u>Claims Paid</u>	<u>End of Year Liability</u>
2017	\$ -	\$ 1,798	\$ 1,798	\$ -
2018	\$ -	\$ 378	\$ 378	\$ -

The School District purchases surety bonds to provide additional insurance coverage as follows:

<u>Position Covered</u>	<u>Amount</u>
Superintendent	\$ 100,000
Drivers' Education	10,000

Note 9: SHORT-TERM DEBT

Tax Anticipation Note

The School District issued a tax anticipation note in advance of property tax collections, depositing the proceeds in its General Fund. This short-term debt is to provide cash for operations until property tax collections were received by the School District. Article IX, Section V, Paragraph V of the Constitution of the State of Georgia limits the aggregate amount of short-term debt to 75% of the total gross income from taxes collected in the preceding year and requires all short-term debt to be repaid no later than December 31 of the calendar year in which the debt was incurred. The maturity date of the loan was December 29, 2017. One draw totaling \$750,000 was required to meet the cash flow needs of the School District. The note was repaid on December 5, 2017.

Short-term debt activity for the fiscal year is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Tax Anticipation Note	\$ -	\$ 750,000	\$ (750,000)	\$ -

TWIGGS COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS **EXHIBIT “H”**
JUNE 30, 2018

Note 10: LONG-TERM LIABILITIES

Changes in Long-Term Liabilities

The changes in long-term debt during the fiscal year ended June 30, 2018, were as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Twiggs County Recreation					
Authority Bonds, Series 2001	\$ 165,000	\$ -	\$ (80,000)	\$ 85,000	\$ 85,000
General Obligation Series 2014	1,865,000	-	(600,000)	1,265,000	625,000
General Obligation Series 2018	-	1,365,000	-	1,365,000	-
Capital leases	89,889	198,974	(113,193)	175,670	109,377
Net OPEB liability	8,902,991	811,780	(988,341)	8,726,430	-
Net pension liability	9,440,592	1,863,710	(2,113,310)	9,190,992	-
Total	<u>\$ 20,463,472</u>	<u>\$ 4,239,464</u>	<u>\$ (3,894,844)</u>	<u>\$ 20,808,092</u>	<u>\$ 819,377</u>

General Obligation Debt Outstanding

The School District’s bonded debt consists of various issues of general obligation bonds that are generally callable with interest payable semi-annually. Bond proceeds primarily pay for acquiring or constructing capital facilities. The School District repays general obligation bonds from voter-approved property and sales taxes. General obligation bonds are direct obligations and pledge the full faith and credit of the School District.

During the current year, the School District issued general obligation bonds totaling \$1,365,000 for the purpose of providing advanced funding for SPLOST V capital projects. Of the \$2,000,000 originally authorized \$635,000 remains unissued.

General obligation bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Maturity</u>	<u>Interest Rates</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
General Government - Twiggs County				
Recreation Authority Bonds, Series 2001	2019	4.95%	\$ 1,030,000	\$ 85,000
General Government - Series 2014	2019	1.50%	3,000,000	1,265,000
General Government - Series 2018	2025	2.78%	1,365,000	1,365,000
			<u>\$ 5,395,000</u>	<u>\$ 2,715,000</u>

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Note 10: LONG-TERM LIABILITIES

General Obligation Debt Outstanding (Continued)

The following schedule details debt service requirements to maturity for the School District’s total general obligation bonds payable:

Fiscal Year <u>Ending June 30</u>	Bonds	
	<u>Principal</u>	<u>Interest</u>
2019	\$ 710,000	\$ 54,339
2020	640,000	42,747
2021	260,000	34,333
2022	265,000	27,036
2023	275,000	19,530
2024-2025	565,000	15,777
Total Principal and Interest	<u>\$ 2,715,000</u>	<u>\$ 193,762</u>

Capital Leases

The School District has acquired buses under the provisions of various long-term lease agreements classified as capital leases for accounting purposes because they provide for a bargain purchase option or a transfer of ownership by the end of the lease term.

The following assets were acquired through capital leases and are reflected in the capital asset note at fiscal year-end:

	<u>Governmental</u> <u>Activities</u>
Equipment	\$ 179,432
Less: Accumulated depreciation	(44,858)
	<u>\$ 134,574</u>

During the current fiscal year, the School District entered into an additional lease agreement as lessee for financing the acquisition of buses at a cost of \$198,974 at a rate of 3.89%. Payments are due annually in the amount of \$68,871 and the lease matures on May 1, 2020. The first payment on the lease was made in fiscal year 2018, but the buses were not received and placed in service until fiscal year 2019 and are therefore excluded from the assets under capital lease detailed above.

<u>Purpose</u>	<u>Issue</u> <u>Date</u>	<u>Maturity</u>	<u>Interest</u> <u>Rates</u>	<u>Amount Issued</u>	<u>Amount</u> <u>Outstanding</u>
Purchase of buses	2016	2019	2.81%	\$ 179,432	\$ 45,567
Purchase of buses	2018	2020	3.89%	198,974	130,103
				<u>\$ 378,406</u>	<u>\$ 175,670</u>

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Note 10: LONG-TERM LIABILITIES

Capital Leases (Continued)

The following is a schedule of total capital lease payments:

Fiscal Year <u>Ending June 30</u>	Capital Leases	
	<u>Principal</u>	<u>Interest</u>
2019	\$ 109,377	\$ 6,341
2020	66,293	2,579
Total Principal and Interest	<u>\$ 175,670</u>	<u>\$ 8,920</u>

Note 11: SIGNIFICANT COMMITMENTS

The following is an analysis of significant outstanding construction commitments executed by the School District as of June 30, 2018:

<u>Project</u>	<u>Unearned Executed Contracts</u>	<u>Funding Available From State</u>
Twiggs County Middle/High School HVAC	<u>\$ -</u>	<u>\$ 107,308</u>

Note 12: SIGNIFICANT CONTINGENT LIABILITIES

Amounts received or receivable principally from the Federal government are subject to audit and review by grantor agencies. This could result in requests for reimbursement to the grantor agency for any costs which are disallowed under grant terms. The School District believes that such disallowances, if any, will be immaterial to its overall financial position.

TWIGGS COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS **EXHIBIT “H”**
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Note 13: OTHER POST-EMPLOYMENT BENEFITS

Georgia School Personnel Post-employment Health Benefit Fund

Plan Description. Certified teachers and non-certified public school employees of the School District as defined in Section 20-2-875 of the Official Code of Georgia Annotated (“O.C.G.A.”) are provided OPEB through the School OPEB Fund - a cost-sharing multiple-employer defined benefit post-employment healthcare plan, reported as an employee trust fund and administered by a Board of Community Health (“Board”). Title 20 of the O.C.G.A. assigns the authority to establish and amend the benefit terms of the group health plan to the Board.

Benefits Provided. The School OPEB Fund provides healthcare benefits for retirees and their dependents due under the group health plan for public school teachers, including librarians, other certified employees of public schools, regional educational service agencies and non-certified public school employees. Retiree medical eligibility is attained when an employee retires and is immediately eligible to draw a retirement annuity from Employees’ Retirement System (“ERS”), Georgia Judicial Retirement System (JRS), Legislative Retirement System (“LRS”), Teachers Retirement System (“TRS”) or Public School Employees Retirement System (“PSERS”).

If elected, dependent coverage starts on the same day as retiree coverage. Medicare-eligible retirees are offered Standard and Premium Medicare Advantage plan options. Non-Medicare eligible retiree plan options include Health Reimbursement Arrangement (“HRA”), Health Maintenance Organization (“HMO”) and a High Deductible Health Plan (“HDHP”). The School OPEB Fund also pays for administrative expenses of the fund. By law, no other use of the assets of the School OPEB Fund is permitted.

Contributions. As established by the Board, the School OPEB Fund is substantially funded on a pay-as-you-go basis; that is, annual cost of providing benefits will be financed in the same year as claims occur. Contributions to the School OPEB Fund from the School District were \$305,410 for the year ended June 30, 2018. Active employees are not required to contribute to the School OPEB Fund.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2018, the School District reported a liability of \$8,726,430 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017. The total OPEB liability used to calculate the net OPEB liability was based on an actuarial valuation as of June 30, 2016. An expected total OPEB liability as of June 30, 2017, was determined using standard roll-forward techniques. The School District’s proportion of the net OPEB liability was actuarially determined based on employer contributions during the fiscal year ended June 30, 2017. At June 30, 2017, the School District’s proportion was 0.062110%, which was an increase of 0.002037% from its proportion measured as of June 30, 2016.

TWIGGS COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS **EXHIBIT “H”**
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Note 13: OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Georgia School Personnel Post-employment Health Benefit Fund (Continued)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

For the year ended June 30, 2018, the School District recognized OPEB expense of \$553,359. At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	OPEB	
	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Changes in assumptions	\$ -	\$ 664,496
Net difference between projected and actual earnings on pension plan investments	2,552	-
Changes in proportion and differences between School District contributions and proportionate share of contributions	255,869	-
School District contributions subsequent to the measurement date	<u>305,410</u>	<u>-</u>
Total	<u><u>\$ 563,831</u></u>	<u><u>\$ 664,496</u></u>

School District contributions subsequent to the measurement date of \$305,410 are reported as deferred outflows of resources and will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019.

TWIGGS COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS **EXHIBIT “H”**
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Note 13: OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Georgia School Personnel Post-employment Health Benefit Fund (Continued)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year	
<u>Ending June 30</u>	<u>OPEB</u>
2019	\$ (72,856)
2020	(72,856)
2021	(72,856)
2022	(72,856)
2023	(73,495)
2024	(41,156)

Actuarial assumptions. The total OPEB liability as of June 30, 2017, was determined by an actuarial valuation as of June 30, 2016 using the following actuarial assumptions and other inputs, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017:

OPEB:

Inflation	2.75%
Salary increases	
ERS	3.25% – 7.00%, average, including inflation
JRS	4.50%, including inflation
LRS	None
TRS	3.25% – 9.00%, including inflation
PSERS	N/A
Long-term expected rate of return	3.88%, compounded annually, net of investment expense, and including inflation
Healthcare cost trend rate	
Pre-Medicare Eligible	7.75%
Medicare Eligible	5.75%
Ultimate trend rate	
Pre-Medicare Eligible	5.00%
Medicare Eligible	5.00%
Year of Ultimate trend rate	2022

TWIGGS COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS **EXHIBIT “H”**
JUNE 30, 2018

Note 13: OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Georgia School Personnel Post-employment Health Benefit Fund (Continued)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale BB as follows:

- For ERS, JRS and LRS members: The RP-2000 Combined Mortality Table projected to 2025 with projection scale BB (set forward two years for both males and females) is used for the period after service retirement and for dependent beneficiaries. The RP-2000 Disabled Mortality Table projected to 2025 with projection scale BB (set back seven years for males and set forward three years for females) is used for the period after disability retirement.
- For TRS members: The RP-2000 White Collar Mortality Table projected to 2025 with projection scale BB (set forward one year for males) is used for death after service retirement and beneficiaries. The RP-2000 Disabled Mortality Table projected to 2025 with projection scale BB (set forward two years for males and four years for females) is used for death after disability retirement.
- For PSERS members: The RP-2000 Blue-Collar Mortality Table projected to 2025 with projection scale BB (set forward three years for males and two years for females) is used for the period after service retirement and for beneficiaries of deceased members. The RP-2000 Disabled Mortality Table projected to 2025 with projection scale BB (set forward five years for both males and females) is used for the period after disability retirement.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the pension systems, which covered the five-year period ended June 30, 2014.

Projection of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculation.

Additionally, there was a change that affected measurement of the total OPEB liability since the prior measurement date. The methodology used to determine employee and retiree participation in the School OPEB Fund is based on their current or last employer payroll location. Current and former employees of public school districts, libraries, regional educational service agencies and community colleges are allocated to the School OPEB Fund irrespective of retirement system affiliation. In addition, the discount rate increased from 3.07% to 3.58%.

TWIGGS COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS **EXHIBIT “H”**
JUNE 30, 2018

Note 13: OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Georgia School Personnel Post-employment Health Benefit Fund (Continued)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

The long-term expected rate of return on OPEB plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset class</u>	<u>Target allocation</u>	<u>Long-Term Expected Rate of Return*</u>
Local government investment pool	100%	1.13%

* *Rate shown is net of 2.75% assumed rate of inflation*

Discount rate. In order to measure the total OPEB liability for the School OPEB Fund, a single equivalent interest rate of 3.58% was used as the discount rate. This is comprised mainly of the yield or index rate for 20 year tax-exempt general obligation municipal bonds with an average rating of AA or higher (3.56% per the Bond Buyers Index). The projection of cash flows used to determine the discount rate assumed that contributions from members and from the employer will be made at the current level as averaged over the last five years, adjusted for annual projected changes in headcount. Projected future benefit payments for all current plan members were projected through 2115. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make OPEB payments for inactive employees through year 2029. Therefore, the calculated discount rate of 3.58% was applied to all periods of projected benefit payments to determine the total OPEB liability.

TWIGGS COUNTY BOARD OF EDUCATION
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Note 13: OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Georgia School Personnel Post-employment Health Benefit Fund (Continued)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

Sensitivity of the School District's proportionate share of the net OPEB liability to changes in the discount rate. The following presents the School District's proportionate share of the net OPEB liability calculated using the discount rate of 3.58%, as well as what the School District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.58%) or 1 percentage-point higher (4.58%) than the current discount rate:

<i>School OPEB Fund-Discount Rate</i>	1% Decrease (2.58%)	Current Discount Rate (3.58%)	1% Increase (4.58%)
School District's proportionate share of the OPEB liability	\$ 10,361,072	\$ 8,726,430	\$ 7,436,366

Sensitivity of the School District's proportionate share of the net OPEB liability to changes in the healthcare cost trend rates. The following presents the School District's proportionate share of the net OPEB liability, as well as what the School District's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

<i>School OPEB Fund-Healthcare Cost Trend Rate</i>	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
School District's proportionate share of the OPEB liability	\$ 7,233,216	\$ 8,726,430	\$ 10,670,592

OPEB plan fiduciary net position. Detailed information about the OPEB plan's fiduciary net position is available in the Comprehensive Annual Financial Report (CAFR) which is publicly available at <https://sao.georgia.gov/comprehensive-annual-financial-reports>.

TWIGGS COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS **EXHIBIT “H”**
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Note 14: RETIREMENT PLANS

The School District participates in various retirement plans administered by the State of Georgia. There are two major retirement systems in which the School District participates. These systems issue separate publicly available financial reports that include the applicable financial statements and required supplementary information. The reports may be obtained from the respective administrative offices.

Teachers Retirement System of Georgia (TRS)

Plan Description. All teachers of the School District as defined in Section 47-3-60 of the Official Code of Georgia Annotated (“O.C.G.A.”) and certain other support personnel as defined by Section 47-3-63 are provided a pension through the Teachers Retirement System of Georgia (“TRS”). TRS, a cost-sharing multiple-employer defined benefit pension plan, is administered by the TRS Board of Trustees (“TRS Board”). Title 47 of the O.C.G.A. assigns the authority to establish and amend the benefit provisions to the State Legislature. The TRS issues a publicly available separate financial audit report that can be obtained at www.trsga.com/publications.

Benefits Provided. TRS provides service retirement, disability retirement, and death benefits. Normal retirement benefits are determined as 2% of the average of the employee’s two highest paid consecutive years of service, multiplied by the number of years of creditable service up to 40 years. An employee is eligible for normal service retirement after 30 years of creditable service, regardless of age, or after 10 years of service and attainment of age 60. Ten years of service is required for disability and death benefits eligibility. Disability benefits are based on the employee’s creditable service and compensation up to the time of disability. Death benefits equal the amount that would be payable to the employee’s beneficiary had the employee retired on the date of death. Death benefits are based on the employee’s creditable service and compensation up to the date of death.

Contributions. Per Title 47 of the O.C.G.A., contribution requirements of active employees and participating employers, as actuarially determined, are established and may be amended by the TRS Board. Pursuant to O.C.G.A. Section 47-3-63, the employer contributions for certain full-time public school support personnel are funded on behalf of the employer by the State of Georgia. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employees were required to contribute 6% of their annual pay during fiscal year 2018. The School District’s contractually required contribution rate for the year ended June 30, 2018, was 16.81% of annual School District payroll of which 16.41% of payroll was required from the School District and 0.40% of payroll was required from the State. For the current fiscal year, employer contributions to the pension plan were \$911,378 and \$21,566 from School District and the State, respectively.

TWIGGS COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS **EXHIBIT “H”**
JUNE 30, 2018

Note 14: RETIREMENT PLANS (CONTINUED)

Public School Employees’ Retirement System (PSERS)

Plan Description. PSERS is a cost-sharing multiple-employer defined benefit pension plan established by the Georgia General Assembly in 1969 for the purpose of providing retirement allowances for public school employees who are not eligible for membership in the Teachers Retirement System of Georgia. The ERS Board of Trustees, plus two additional trustees, administer PSERS. Title 47 of the O.C.G.A. assigns the authority to establish and amend the benefit provisions to the State Legislature. PSERS issues a publicly available financial report that can be obtained at www.ers.ga.gov/formspubs/formspubs.

Benefits provided. A member may retire and elect to receive normal monthly retirement benefits after completion of ten years of creditable service and attainment of age 65. A member may choose to receive reduced benefits after age 60 and upon completion of ten years of service.

Upon retirement, the member will receive a monthly benefit of \$14.75, multiplied by the number of years of creditable service. Death and disability benefits are also available through PSERS. Additionally, PSERS may make periodic cost-of-living adjustments to the monthly benefits. Upon termination of employment, member contributions with accumulated interest are refundable upon request by the member. However, if an otherwise vested member terminates and withdraws his/her member contribution, the member forfeits all rights to retirement benefits.

Contributions. The general assembly makes an annual appropriation to cover the employer contribution to PSERS on behalf of local school employees (bus drivers, cafeteria workers, and maintenance staff). The annual employer contribution required by statute is actuarially determined and paid directly to PSERS by the State Treasurer in accordance with O.C.G.A. Section 47-4-29(a) and 60(b). Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Individuals who became members prior to July 1, 2012, contribute \$4 per month for nine months each fiscal year. Individuals who became members on or after July 1, 2012, contribute \$10 per month for nine months each fiscal year. The State of Georgia, although not the employer of PSERS members, is required by statute to make employer contributions actuarially determined and approved and certified by the PSERS Board of Trustees. The current fiscal year contribution was \$17,961.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources related to Pensions

At June 30, 2018, the School District reported a liability of \$9,190,992 for its proportionate share of the net pension liability for TRS.

TWIGGS COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS **EXHIBIT “H”**
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Note 14: RETIREMENT PLANS (CONTINUED)

Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources related to Pensions (Continued)

The TRS net pension liability reflected a reduction for support provided to the School District by the State of Georgia for certain public school support personnel. The amounts recognized by the School District as its proportionate share of the net pension liability, the related State of Georgia support, and the total portion of the net pension liability that was associated with the School District were as follows:

School District's proportionate share of the Net Pension Liability	\$ 9,190,992
State of Georgia's proportionate share of the Net Pension Liability associated with the School District	241,609
	<u>\$ 9,432,601</u>

The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2016. An expected total pension liability as of June 30, 2017, was determined using standard roll-forward techniques. The School District's proportion of the net pension liability was based on contributions to TRS during the fiscal year ended June 30, 2017.

At June 30, 2017, the School District's TRS proportion was 0.049453%, which was an increase of 0.003694% from its proportion measured as of June 30, 2016.

At June 30, 2018, the School District did not have a PSERS liability for a proportionate share of the Net Pension Liability because of a Special Funding Situation with the State of Georgia, which is responsible for the Net Pension Liability of the plan. The amount of the State's proportionate share of the Net Pension Liability associated with the School District is \$102,108.

The PSERS net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2016. An expected total pension liability as of June 30, 2017, was determined using standard roll-forward techniques. The State's proportion of the net pension liability associated with the School District was based on actuarially determined contributions paid by the State during the fiscal year ended June 30, 2017.

For the year ended June 30, 2018, the School District recognized pension expense of \$1,162,347 for TRS and \$20,579 for PSERS and revenue of \$59,557 for TRS and \$20,579 for PSERS. The revenue is support provided by the State of Georgia. For TRS the State of Georgia support is provided only for certain support personnel.

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Note 14: RETIREMENT PLANS (CONTINUED)

Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources related to Pensions (Continued)

At June 30, 2018, the School District reported deferred outflows of resource and deferred inflows of resources related to pension from the following sources:

	TRS	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 343,800	\$ 34,686
Changes of assumptions	201,478	-
Net difference between projected and actual earnings on pension plan investments	-	63,249
Changes in proportion and differences between School District contributions and proportionate share of contributions	676,468	473,863
School District contributions subsequent to the measurement date	911,378	-
Total	<u>\$ 2,133,124</u>	<u>\$ 571,798</u>

School District contributions subsequent to the measurement date of June 30, 2017 for TRS are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>TRS</u>
2019	\$ 34,133
2020	510,507
2021	226,513
2022	(139,285)
2023	18,080

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Note 14: RETIREMENT PLANS (CONTINUED)

Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources related to Pensions (Continued)

Actuarial assumptions: The total pension liability as of June 30, 2017, was determined by an actuarial valuation as of June 30, 2016, using the following actuarial assumptions, applied to all periods included in the measurement:

Teachers Retirement System:

Inflation	2.75%
Salary increases	3.25 – 9.00%, average, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

Post-retirement mortality rates were based on the RP-2000 White Collar Mortality Table with future mortality improvement projected to 2025 with the Society of Actuaries' projection scale BB (set forward one year for males) for service requirements and dependent beneficiaries. The RP-2000 Disabled Mortality table with future mortality improvement projected to 2025 with Society of Actuaries' projection scale BB (set forward two years for males and four years for females) was used for death after disability retirement. Rates of mortality in active service were based on the RP-2000 Employee Mortality Table projected to 2025 with projection scale BB.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014.

Public School Employees' Retirement System

Inflation	2.75
Salary increase	N/A
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

Post-retirement mortality rates were based on the RP-2000 Blue-Collar Mortality Table projected to 2025 with projection scale BB (set forward three years for males and two years for females) for the period after service retirements and for dependent beneficiaries. The RP-2000 Disabled Mortality projected to 2025 with projection scale BB (set forward five years for both males and females) was used for death after disability retirement. There is a margin for future mortality improvement in the tables used by the System. Based on the results of the most recent experience study adopted by the Board on December 17, 2015, the numbers of expected future deaths are 9-11% less than the actual number of deaths that occurred during the study period for healthy retirees and 9-11% less than expected under the selected table for disabled retirees. Rates of mortality in active service were based on the RP-2000 Employee Mortality Table projected to 2025 with projection scale BB.

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Note 14: RETIREMENT PLANS (CONTINUED)

Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources related to Pensions (Continued)

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014.

The long-term expected rate of return on TRS and PSERS pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset class	TRS Target allocation	PSERS Target allocation	Long-term expected real rate of return*
Fixed income	30.00%	30.00%	(0.50)%
Domestic large stocks	39.80%	37.20%	9.00%
Domestic mid stocks	3.70%	3.40%	12.00%
Domestic small stocks	1.50%	1.40%	13.50%
International developed market stocks	19.40%	17.80%	8.00%
International emerging market stocks	5.60%	5.20%	12.00%
Alternative	-	5.00%	10.50%
Total	100.00%	100.00%	

* Rates shown are net of the 2.75% assumed rate of inflation

Discount rate. The discount rate used to measure the total TRS and PSERS pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and non-employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the TRS and PSERS pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

TWIGGS COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS **EXHIBIT “H”**
JUNE 30, 2018

Note 14: RETIREMENT PLANS (CONTINUED)

Sensitivity of the School District’s proportionate share of the net pension liability to changes in the discount rate: The following presents the School District’s proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the School District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Current discount rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	\$ 15,083,497	\$ 9,190,992	\$ 4,336,893

Pension plan fiduciary net position: Detailed information about the pension plan’s fiduciary net position is available in the separately issued TRS and PSERS financial report which is publically available at www.trsga.com/publications and <http://www.ers.ga.gov/formspubs/formspubs.html>.

Note 15: BROADBAND SPECTRUM LEASE

Effective June 10, 2005, The School District entered into a 19-year lease agreement with Fixed Wireless Holdings, LLC for the lease of excess spectrum capacity on Education Broadband Service licenses currently held by the School District. These licenses were granted to the School District by the Federal Communications Commission. The lease agreement requires monthly lease payments over the term of the lease, of which \$12,000 was recognized during fiscal year 2018 as a general revenue on the Statement of Activities.

Note 16: CHANGE IN ACCOUNTING PRINCIPLE – PRIOR PERIOD ADJUSTMENT

In fiscal year 2018, the School District adopted Governmental Accounting Standards Board (“GASB”) Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other than Pensions*. The provisions of this statement establish accounting and financial reporting standards for post-employment benefits for retired employees of state and local governmental employers through pension plans that are administered through trusts. Implementation of this statement required the School District to record a liability for its proportionate share of the Net OPEB Liability of the School OPEB Fund. The following adjustment was required to net position of governmental activities to record the net pension liability as of July 1, 2017:

Net position, governmental activities, previously reported	\$ 4,660,372
Deferred outflows, contributions subsequent to measurement date	323,845
Proportionate share of net School OPEB liability	(8,902,991)
Net position, governmental activities, as restated	<u>\$ (3,918,774)</u>

TWIGGS COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS **EXHIBIT “H”**
JUNE 30, 2018

Note 17: SUBSEQUENT EVENT

Tax Anticipation Note

On August 29, 2018, the Twiggs County Board of Education issued a temporary loan in advance of property tax collections with a financial institution in the amount of \$800,000. Proceeds from this short-term loan were issued to provide cash for operations until property tax collections were received by the School District. The maturity date of the loan was December 31, 2018. Two draws totaling \$800,000 were required to meet the cash flow needs of the School District. The note was repaid on December 7, 2018.

Note 18: TAX ABATEMENTS

Twiggs County enters into property tax abatement agreements with local businesses for the purpose of attracting or retaining businesses within their jurisdictions. The abatements may be granted to any business located within or promising to relocate to Twiggs County.

For the fiscal year ended June 30, 2018, Twiggs County abated property taxes due to the School District that were levied on August 22, 2017, and due on November 30, 2017, totaling \$84,694. Included in that amount abated, the following are individual tax abatement agreements that each exceeded 10% of the total amount abated:

- A 70% property tax abatement to a company that harnesses an alternative form of energy. The abatement amounted to \$65,792.
- A 70% property tax abatement to a retail distribution center. The abatement amounted to \$18,902.

Note 19: RELATED PARTY TRANSACTIONS

The Twiggs County Board of Education entered into a contract for speech therapy services for fiscal year 2018 with expenditures totaling \$29,795. The contract was entered into with a relative of an employee of the Twiggs County Board of Education.

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TWIGGS COUNTY BOARD OF EDUCATION

SCHEDULE "1"

**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHERS RETIREMENT SYSTEM OF GEORGIA
FOR THE FISCAL YEAR ENDED JUNE 30**

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
School District's proportion of the net pension liability	0.050327%	0.050386%	0.045759%	0.049453%
School District's proportionate share of the net pension liability	\$ 6,358,153	\$ 7,670,768	\$ 9,440,592	\$ 9,190,992
State of Georgia's proportionate share of the net pension liability associated with the School District	<u>27,541</u> 6,385,694	<u>29,687</u> 7,700,455	<u>269,442</u> 9,710,034	<u>241,609</u> 9,432,601
School District's covered payroll	\$ 5,134,308	\$ 5,363,490	\$ 5,196,288	\$ 5,843,874
School District's proportionate share of the net pension liability as a percentage of its covered payroll	123.84%	143.02%	181.68%	157.28%
Plan fiduciary net position as a percentage of the total pension liability	84.03%	81.44%	76.06%	79.33%

Note: The measurement date for the year ended June 30, 2018 is June 30, 2017. The schedule above is intended to show information for the last ten fiscal years. Additional years will be displayed as they become available.

TWIGGS COUNTY BOARD OF EDUCATION

SCHEDULE "2"

**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC SCHOOL EMPLOYEES RETIREMENT SYSTEM OF GEORGIA
FOR THE FISCAL YEAR ENDED JUNE 30**

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
School District's proportion of the net pension liability	0.000000%	0.000000%	0.000000%	0.000000%
School District's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -
State of Georgia's proportionate share of the net pension liability associated with the School District	<u>\$ 86,865</u>	<u>\$ 79,756</u>	<u>\$ 129,766</u>	<u>\$ 102,108</u>
	86,865	79,756	129,766	102,108
School District's covered payroll	\$ 285,608	\$ 278,098	\$ 268,145	\$ 310,421
School District's proportionate share of the net pension liability as a percentage of its covered payroll	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	88.29%	87.00%	81.00%	85.69%

Note: The measurement date for the year ended June 30, 2018, is June 30, 2017. The schedule above is intended to show information for the last ten fiscal years. Additional years will be displayed as they become available.

TWIGGS COUNTY BOARD OF EDUCATION

SCHEDULE "3"

**SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
SCHOOL OPEB FUND
FOR THE FISCAL YEAR ENDED JUNE 30**

	<u>2018</u>
School District's proportion of the net OPEB liability	0.062110%
School District's proportionate share of the net OPEB liability	\$ 8,726,430
School District's covered-employee payroll	4,666,675
School District's proportionate share of the net OPEB liability as a percentage of its covered employee payroll	186.99%
Plan fiduciary net position as a percentage of the total OPEB liability	1.61%

Note: The measurement date for the year ended June 30, 2018, is June 30, 2017.
The schedule above is intended to show information for the last ten fiscal years. Additional years will be displayed as they become available.
Additional years will be displayed as they become available.

TWIGGS COUNTY BOARD OF EDUCATION

SCHEDULE "4"

**SCHEDULE OF CONTRIBUTIONS
TEACHERS RETIREMENT SYSTEM OF GEORGIA
FOR THE FISCAL YEAR ENDED JUNE 30**

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Contractually required contribution	\$ 705,299	\$ 721,066	\$ 812,578	\$ 911,378
Contributions in relation to the contractually required contribution	<u>705,299</u>	<u>721,066</u>	<u>812,578</u>	<u>911,378</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's covered payroll	\$ 5,363,490	\$ 5,196,288	\$ 5,843,874	\$ 5,552,251
Contributions as a percentage of covered payroll	13.15%	13.88%	13.90%	16.41%

Note: The measurement date for the year ended June 30, 2018 is June 30, 2017. The schedule above is intended to show information for the last ten fiscal years. Additional years will be displayed as they become available.

TWIGGS COUNTY BOARD OF EDUCATION

SCHEDULE "5"

**SCHEDULE OF CONTRIBUTIONS
SCHOOL OPEB FUND
FOR THE FISCAL YEAR ENDED JUNE 30**

	<u>2017</u>	<u>2018</u>
Contractually required contribution	\$ 323,845	\$ 305,410
Contributions in relation to the contractually required contribution	<u>323,845</u>	<u>305,410</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
School District's covered-employee payroll	\$ 4,666,675	\$ 4,496,940
Contributions as a percentage of covered-employee payroll	6.94%	6.79%

Note: The schedule above is intended to shown information for the last ten fiscal years.
Additional years will be displayed as they become available.

TWIGGS COUNTY BOARD OF EDUCATION

SCHEDULE "6"

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Teachers Retirement System

Changes of assumptions:

In 2010 and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Tables rather than the 1994 Group Annuity Mortality Table, which was used prior to 2010. In 2010, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In 2010, assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.

On November 18, 2015, the Board adopted recommended changes to the economic and demographic assumptions utilized by the System. Primary among the changes were the updates to rates of mortality, retirement, disability, withdrawal and salary increases. The expectation of retired life mortality was changed to RP-2000 White Collar Mortality Table with future mortality improvement projected to 2025 with the Society of Actuaries' projection scale BB (set forward one year for males).

Public School Employees Retirement System

Changes of assumptions:

In 2010 and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Tables rather than the 1994 Group Annuity Mortality Table, which was used prior to 2010. In 2010, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience.

On December 17, 2015, the Board adopted recommended changes to the economic and demographic assumptions utilized by the System. Primary among the changes were the updates to rates of mortality, retirement and withdrawal. The expectation of retired life mortality was changed to the RP-2000 Blue Collar Mortality Table projected to 2025 with projection scale BB (set forward three years for males and two years for females).

School OPEB Fund

Changes of benefit terms: In the June 30, 2010 actuarial valuation, there was a change of benefit terms to require Medicare-eligible recipients to enroll in a Medicare Advantage plan to receive the State subsidy.

Changes in assumptions: In the revised June 30, 2017 actuarial valuation, there was a change relating to employee allocation. Employees were previously allocated based on their Retirement System membership, and currently employees are allocated based on their current employer payroll location. Additionally, there were changes to the discount rate and an increase in the investment rate of return due to a longer term investment strategy.

In the June 30, 2015 actuarial valuation, decremental and underlying inflation assumptions were changed to reflect the Retirement Systems' experience studies.

In the June 30, 2012 actuarial valuation, a data audit was performed and data collection procedures and assumptions were changed.

TWIGGS COUNTY BOARD OF EDUCATION

SCHEDULE "7"

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	Nonappropriated Budget		Actual	Variance With Final Budget
	Original ⁽¹⁾	Final ⁽¹⁾		
REVENUES				
Property taxes	\$ 3,932,528	\$ 3,932,528	\$ 4,213,001	\$ 280,473
Sales taxes	20,000	20,000	18,413	(1,587)
Other taxes	-	-	41,424	41,424
State funds	4,032,075	4,184,180	4,335,009	150,829
Federal funds	2,714,114	2,714,114	3,153,080	438,966
Charges for services	-	-	15,640	15,640
Investment earnings	-	-	2,423	2,423
Miscellaneous	60,000	60,000	295,109	235,109
Total revenues	<u>\$ 10,758,717</u>	<u>\$ 10,910,822</u>	<u>\$ 12,074,099</u>	<u>\$ 1,163,277</u>
EXPENDITURES				
Current:				
Instruction	\$ 4,902,686	\$ 5,454,977	\$ 5,570,216	\$ (115,239)
Support services:				
Pupil services	378,922	539,202	621,550	(82,348)
Improvement of instructional services	1,075,337	1,404,313	1,254,943	149,370
Educational media services	122,642	125,642	112,220	13,422
General administration	407,557	459,473	402,120	57,353
School administration	718,288	718,288	700,548	17,740
Business administration	316,532	316,532	351,946	(35,414)
Maintenance and operation of plant	1,138,396	1,141,406	1,287,624	(146,218)
Student transportation services	732,825	707,434	715,178	(7,744)
Central support services	-	2,381	1,688	693
Other support services	170,633	204,675	176,769	27,906
Food service operations	-	-	824,771	(824,771)
Community service operation	-	-	49,907	(49,907)
Debt service:				
Principal retirement	-	-	44,322	(44,322)
Interest and fiscal charges	-	-	2,526	(2,526)
Total expenditures	<u>\$ 9,963,818</u>	<u>\$ 11,074,323</u>	<u>\$ 12,116,328</u>	<u>\$ (1,042,005)</u>
Net change in fund balances	\$ 794,899	\$ (163,501)	\$ (42,229)	\$ 121,272
FUND BALANCE, beginning of year	<u>1,234,514</u>	<u>1,234,514</u>	<u>1,234,514</u>	<u>-</u>
FUND BALANCE, end of year	<u>\$ 2,029,413</u>	<u>\$ 1,071,013</u>	<u>\$ 1,192,285</u>	<u>\$ 121,272</u>

Note to the Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

(1) Original and Final Budget amounts do not include budgeted revenues (\$201,475) or expenditures (\$197,410) of the various school activity accounts.

The accompanying schedule of revenues, expenditures, and changes in fund balances budget and actual is presented on the modified accrual basis of accounting which is the basis of accounting used in the presentation of the fund financial statements.

See notes to the basic financial statements.

TWIGGS COUNTY BOARD OF EDUCATION

SCHEDULE "8"

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Funding Agency <u>Program/Grant</u>	CFDA <u>Number</u>	Pass-Through Entity	Expenditures <u>In Period</u>
		ID <u>Number</u>	
Agriculture, U.S. Department of			
Child Nutrition Cluster			
Pass-Through From Georgia Department of Education			
Food Services			
School Breakfast Program	10.553	18185GA324N1099	\$ 208,389
National School Lunch Program	10.555	18185GA324N1100	588,916
Total Child Nutrition Cluster			<u>797,305</u>
Total U.S. Department of Agriculture			<u>797,305</u>
Education, U.S. Department of			
Special Education Cluster			
Pass-Through From Georgia Department of Education			
Special Education			
Grants to States	84.027	H027A160073	19,220
Grants to States	84.027	H027A170073	186,609
Total Special Education Cluster			<u>205,829</u>
Other Programs			
Pass-Through From Georgia Department of Education			
Supporting Effective Instruction State Grants	84.367	S367A160001	20,532
Supporting Effective Instruction State Grants	84.367	S367A170001	9,668
School Improvement Grants	84.377A	S377A160011	123,016
School Improvement Grants	84.377A	S377A170011	1,560,988
Rural Education	84.358	S358B160010	8,507
Rural Education	84.358	S358B170010	6,633
Title I Grants to Local Educational Agencies	84.010	S010A160010	53,955
Title I Grants to Local Educational Agencies	84.010	S010A170010	448,755
Career and Technical Education - Basic Grants to States	84.048	V048A160010	240
Career and Technical Education - Basic Grants to States	84.048	V048A170010	14,577
Total U.S. Department of Education			<u>2,452,700</u>

TWIGGS COUNTY BOARD OF EDUCATION

SCHEDULE "8"

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Funding Agency Program/Grant	CFDA Number	Pass-Through Entity	Expenditures In Period
		ID Number	
Defense, U.S. Department of Direct Department of the Air Force R.O.T.C. Program	12.unknown	N/A	\$ 63,737
Total Expenditures of Federal Awards			\$ 3,313,742

N/A = Not Available

Notes to the Schedule of Expenditures of Federal Awards

The School District did not provide Federal Assistance to any Subrecipient.

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Twiggs County Board of Education (the "Board") under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Board has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

See notes to the basic financial statements.

TWIGGS COUNTY BOARD OF EDUCATION

SCHEDULE "9"

**SCHEDULE OF STATE REVENUE
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	Governmental Fund Type
<u>Agency/Funding</u>	<u>General Fund</u>
Grants	
Bright from the Start	
Georgia Department of Early Care and Learning	
Pre-Kindergarten Program	\$ 152,105
Education, Georgia Department of	
Quality Basic Education	
Direct Instructional Cost	
Kindergarten Program	153,250
Kindergarten Program - Early Intervention Program	70,816
Primary Grades (1-3) Program	443,427
Primary Grades - Early Intervention (1-3) Program	137,949
Upper Elementary Grades (4-5) Program	216,631
Upper Elementary Grades - Early Intervention (4-5) Program	133,713
Middle School (6-8) Program	428,514
High School General Education (9-12) Program	465,567
Carrer Technical and Agricultural Education Program 9-12	142,883
Students with Disabilities	444,872
Gifted Students - Category VI	4,339
Alternative Education Program	36,082
Media Center Program	73,058
20 Days Additional Instruction	24,083
Staff and Professional Development	12,309
Principal Staff and Professional Development	675
Indirect Cost	
Central Administration	273,778
School Administration	267,665
Facility Maintenance and Operations	168,661
Categorical Grants	
Pupil Transportation	252,504
Sparsity	179,084
Nursing Services	45,000
Mid-Term Hold Harmless	122,610
Vocational Supervisors	8,252
Food Services	17,976
Career, Technical and Agricultural Education	26,143
Amended Formula Adjustment	(59,596)
Other State Programs	
Family Connection	48,500
Other Grants From Georgia Department of Education	
Teacher of the Year	507
Math and Science Supplement	2,027
Governor's Office of Student Achivement	
Early Language and Literacy Mini-grant	2,097
On-Behalf Payments	
Georgia Department of Education	
Paid to the Teachers Retirement System	21,566
Office of State Treasurer	
Paid to the Public School Employees	
Retirement System	17,961
Grand Total	<u>\$ 4,335,009</u>

See notes to the basic financial statements.

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TWIGGS COUNTY BOARD OF EDUCATION

SCHEDULE "10"

SCHEDULE OF APPROVED LOCAL OPTION SALES TAX PROJECTS - SPLOST IV FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Project	Original Estimated Cost (1)	Current Estimated Costs (2)	Expended In Current Year (3)	Expended In Prior Years (3)	Total Completion Cost	Estimated Completion Date
Improving and renovating the existing high school gym.	200,000	-	-	-	-	12/31/2019
Acquiring safety and security equipment and vocational, musical, athletic, and physical education equipment.	50,000	27,128	-	27,127	-	12/31/2019
Acquiring, repairing, and updating system-wide technology, including computer hardware.	100,000	11,955	-	11,955	-	12/31/2019
Adding to, renovating, repairing, improving, and equipping existing school buildings, other buildings, and facilities including athletic facilities and roof and HVAC repairs.	500,000	-	-	-	-	12/31/2019
Acquiring, textbooks, e-books, and classroom furniture.	20,000	7,564	-	7,564	-	12/31/2019
Acquiring school buses and other system-wide vehicles.	90,000	179,432	-	179,432	-	10/31/2018
	<u>\$ 960,000</u>	<u>\$ 226,079</u>	<u>\$ -</u>	<u>\$ 226,078</u>	<u>\$ -</u>	

(1) The School District's original cost estimate as specified in the resolution calling for the imposition of the Local Option Sales Tax.

(2) The School District's current estimate of total cost for the projects. Includes all cost from project inception to completion.

(3) The voters of Twiggs County approved the imposition of a 1% sales tax to fund the above projects and retire associated debt. Amounts expended for these projects may include sales tax proceeds, state, local property taxes and/or other funds over the life of the project.

(4) In addition to the expenditures shown above, the School District has incurred interest to provide advance funding for the above project(s) as follows:

Prior Years	\$ 106,384
Current Year	24,283
Total	<u>\$ 130,667</u>

(5) As of June 30, 2018, there were no excess proceeds which were not yet expended.

See notes to the basic financial statements.

TWIGGS COUNTY BOARD OF EDUCATION

SCHEDULE "10"

**SCHEDULE OF APPROVED LOCAL OPTION SALES TAX PROJECTS - SPLOST V
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

<u>Project</u>	<u>Original Estimated Cost (1)</u>	<u>Current Estimated Costs (2)</u>	<u>Expended In Current Year (3)</u>	<u>Expended In Prior Years (3)</u>	<u>Total Completion Cost</u>	<u>Estimated Completion Date</u>
Acquiring, renovating, repairing, replacing and improving the existing elementary school roof and HVAC system.	\$ 350,000	\$ 350,000	\$ 10,278	\$ -	\$ -	12/31/2024
Renovating, repairing, replacing and improving the roof at the existing high school and administrative offices.	125,000	125,000	-	-	-	12/31/2024
Acquiring safety and security equipment and vocational, musical, band, athletic, and physical education uniforms or equipment.	100,000	100,000	20,728	-	-	12/31/2024
Acquiring and/or repairing school buses, system vehicles, and transportation and maintenance equipment.	400,000	400,000	290,391	-	-	12/31/2024
Improving, renovating and refinishing the high school gym.	350,000	350,000	69,740	-	-	12/31/2024
Acquiring, repairing, replacing and improving athletic facility bleachers.	400,000	400,000	-	-	-	12/31/2024
Acquiring and updating textbooks, e-books, classroom furniture and system wide technology, including computer hardware.	50,000	50,000	-	-	-	12/31/2024
Adding to, renovating, repairing, improving, and equipping existing school buildings, other buildings, and facilities, including athletic facilities and roof and HVAC repairs.	2,125,000	2,125,000	-	-	-	12/31/2024
Paying expenses incidental to accomplishing the foregoing	<u>100,000</u>	<u>100,000</u>	<u>56,160</u>	<u>-</u>	<u>-</u>	
	<u>\$ 4,000,000</u>	<u>\$ 4,000,000</u>	<u>\$ 447,297</u>	<u>\$ -</u>	<u>\$ -</u>	

- (1) The School District's original cost estimate as specified in the resolution calling for the imposition of the Local Option Sales Tax.
- (2) The School District's current estimate of total cost for the projects. Includes all cost from project inception to completion.
- (3) The voters of Twiggs County approved the imposition of a 1% sales tax to fund the above projects and retire associated debt. Amounts expended for these projects may include sales tax proceeds, state, local property taxes and/or other funds over the life of the project.
- (4) As of June 30, 2018, there were no excess proceeds which were not yet expended.

Reconciliation of expenditures reported to basic financial statements:

\$ 447,297	Total Expenditures - SPLOST V
24,283	Interest and Fees - SPLOST IV
6,188	Interest - Debt service Fund
2,526	Interest - General Fund
80,000	Principal payment, Series 2001 Bonds
600,000	Principal payment, Series 2014 Bonds
113,193	Principal payments, bus leases
<u>\$ 1,273,487</u>	
\$ 46,848	Total debt service expenditures, General Fund
1,140,451	Total expenditures, Capital Projects Fund
86,188	Total expenditures, Debt Service Fund
<u>\$ 1,273,487</u>	

See notes to the basic financial statements.

SECTION II

COMPLIANCE AND INTERNAL CONTROL REPORTS



DEPARTMENT OF AUDITS AND ACCOUNTS

270 Washington Street, S.W., Suite 1-156
Atlanta, Georgia 30334-8400

Greg S. Griffin
STATE AUDITOR
(404) 656-2174

December 4, 2019

The Honorable Brian P. Kemp, Governor of Georgia
Members of the General Assembly of the State of Georgia
Members of the State Board of Education
and
Superintendent and Members of the
Twiggs County Board of Education

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Twiggs County Board of Education (School District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated December 4, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying *Schedule of Findings and Questioned Costs*, we identified certain deficiencies in internal control that we consider to be a material weakness and a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying *Schedule of Findings and Questioned Costs* as item FS 2018-001, to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying *Schedule of Findings and Questioned Costs* as item FS 2018-002, to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

School District's Response to Findings

The School District's response to the findings identified in our audit is described in the accompanying *Schedule of Findings and Questioned Costs*. The School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Greg S. Griffin".

Greg S. Griffin
State Auditor



DEPARTMENT OF AUDITS AND ACCOUNTS

270 Washington Street, S.W., Suite 1-156
Atlanta, Georgia 30334-8400

Greg S. Griffin
STATE AUDITOR
(404) 656-2174

December 4, 2019

The Honorable Brian P. Kemp, Governor of Georgia
Members of the General Assembly of the State of Georgia
Members of the State Board of Education
and
Superintendent and Members of the
Twiggs County Board of Education

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Report on Compliance for Each Major Federal Program

We have audited the Twiggs County Board of Education (School District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018. The School District's major federal programs are identified in the *Summary of Auditor's Results* section of the accompanying *Schedule of Findings and Questioned Costs*.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the School District's compliance.

Opinion on Each Major Federal Program

In our opinion, the School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying *Schedule of Findings and Questioned Costs* as item FA 2018-001. Our opinion on each major federal program is not modified with respect to these matters.

The School District's response to the noncompliance findings identified in our audit is described in the accompanying *Schedule of Findings and Questioned Costs*. The School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of the School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain a deficiency in internal control over compliance, as described in the accompanying *Schedule of Findings and Questioned Costs* as item FA 2018-001, that we consider to be a significant deficiency.

The School District's response to the internal control over compliance finding identified in our audit is described in the accompanying *Schedule of Findings and Questioned Costs*. The School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Greg S. Griffin". The signature is fluid and cursive, with a long horizontal stroke at the end.

Greg S. Griffin
State Auditor

SECTION III

AUDITEE'S RESPONSE TO PRIOR YEAR FINDINGS AND QUESTIONED COSTS

TWIGGS COUNTY BOARD OF EDUCATION
AUDITEE'S RESPONSE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

FS 2014-003 Inadequate Internal Control Procedures

Control Category: Cash and Cash Equivaents
Internal Control Impact: Significant Deficiency
Compliance Impact: None

Finding Status: Unresolved

Entity's Response Internal controls were not sufficient to ensure compliance.

FS 2014-005 Inadequate Internal Control Procedures

Control Category: Employee Compensation
Internal Control Impact: Significant Deficiency
Compliance Impact: None

Finding Status: Unresolved

Entity's Response There were errors in the way the calculation was done.

FS 2015-001 Inadequate Internal Control Procedures

Control Category: Cash and Cash Equivalents
Internal Control Impact: Significant Deficiency
Compliance Impact: None

Finding Status: Unresolved

Entity's Response Central office internal controls were not sufficient to prevent oversight and segregate duties to meet fiduciary responsibility.

FS 2015-003 Inadequate Internal Control Procedures

Control Category: Employee Compensation
Internal Control Impact: Significant Deficiency
Compliance Impact: None

Finding Status: Unresolved

Entity's Response There were not enough review in the way calculations were done.

TWIGGS COUNTY BOARD OF EDUCATION
AUDITEE'S RESPONSE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

FS 2016-001 Internal Controls at the Central Office

Control Category: Accounting Controls (Overall)
Cash and Cash Equivalents
Expenditures/Liabilities/Disbursements
Employee Compensation
General Ledger

Internal Control Impact: Material Weakness
Compliance Impact: None

Finding Status: Unresolved

Entity's Response Internal controls were not properly in place.

FS 2017-001 Internal Control Procedures

Control Category: Accounting Controls (Overall)
Cash and Cash Equivalents
Capital Assets
Expenditures/Liabilities/Disbursements
Employee Compensation
General Ledger

Internal Control Impact: Material Weakness
Compliance Impact: None

Finding Status: Unresolved

Entity's Response Internal controls were not properly in place.

TWIGGS COUNTY BOARD OF EDUCATION
AUDITEE'S RESPONSE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FA 2016-001	<u>Internal Control Procedures</u>
Compliance Requirement:	Activities Allowed or Unallowed Allowable Costs/Cost Principles Equipment and Real Property Management Period of Performance Special Tests and Provisions
Internal Control Impact:	Material Weakness
Compliance Impact:	Material Noncompliance
Awarding Agency:	U.S. Department of Agriculture
Pass-Through Entity:	Georgia Department of Education
CFDA Number and Title:	CFDA 10.553 and 10.555 Child Nutrition Cluster
Federal Award Number:	161656A324N1099
Finding Status:	Unresolved
Entity's Response	Internal controls were not in place to mitigate issues fully.
FA 2017-001	<u>Internal Control Procedures</u>
Compliance Requirement:	Activities Allowed or Unallowed Allowable Costs/Cost Principles Equipment and Real Property Management Period of Performance Procurement, Suspension and Debarment Special Tests and Provisions
Internal Control Impact:	Material Weakness
Compliance Impact:	Material Noncompliance
Awarding Agency:	U.S. Department of Agriculture
Pass-Through Entity:	Georgia Department of Education
CFDA Number and Title:	Child Nutrition Cluster (CFDA 10.553 and 10.555)
Federal Award Number:	17175GA324N1099, 17175GA324N1100
Finding Status:	Unresolved
Entity's Response	Internal controls were not in place to mitigate issues fully.

SECTION IV

FINDINGS AND QUESTIONED COSTS

TWIGGS COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018

I SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issue: Governmental Activities; General Fund; Capital Projects Fund; Debt Service Fund; Aggregate Remaining Fund Information	Unmodified
Internal control over financial reporting:	
▪ Material weakness identified?	Yes
▪ Significant deficiency identified?	Yes
Noncompliance material to financial statements noted:	No

Federal Awards

Internal Control over major programs:	
▪ Material weakness identified?	No
▪ Significant deficiency identified?	Yes
Type of auditor's report issued on compliance for major programs: All major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	Yes
Identification of major programs:	
<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555	Child Nutrition Cluster
84.377	School Improvement Grants
Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000.00
Auditee qualified as low-risk auditee?	No

TWIGGS COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

FS 2018-001

Control Category:

Internal Control Procedures

Accounting Controls (Overall)

Cash and Cash Equivalents

Capital Assets

Expenditures/Liabilities/Disbursements

Insurance

Employee Compensation

General Ledger

Internal Control Impact:

Material Weakness

Compliance Impact:

None

Repeat of Prior Year Finding:

FS 2017-001, FS 2016-001, FS 2015-001, FS 2015-003,
FS 2014-003, FS 2014-005

Description:

The accounting procedures of the School District were insufficient to provide for adequate internal controls over numerous control categories.

Criteria:

The School District's management is responsible for designing and maintaining internal controls that provide reasonable assurance that transactions are processed according to established procedures.

Condition:

Accounting Controls (Overall)

- The School District does not have adequate logical access controls in place to protect the integrity of information maintained in significant financial applications including no formal policy for periodic monitoring of user access rights. For the financial application, we noted several users with access rights that exceeded their need to complete their assigned job functions. Further, the access granted did not adequately separate the functions of initiating, authorizing, and recording transactions, reconciliations, and maintaining the custody of assets.
- The School District did not perform a job restore for the financial application to ensure data backed up is recoverable.
- Password requirements for the school food point-of-sale system are inadequate.
- The School District did not complete a risk assessment for the year under review.

Cash and Cash Equivalents

- Bank reconciliations performed at the Central Office are not dated to provide evidence of timely preparation.
- One bank account that was closed during the year remained on the general ledger at year end.

Capital Assets

- The School District did not capitalize three pieces of equipment that met the capitalization threshold requirements in the School District's policy.
- Four capital assets purchased in prior year were not added to the capital asset listing.
- Two fully depreciated buses disposed of in prior years were removed from the capital asset listing, but not the note disclosure. In addition, no supporting documentation could be provided for the sale of these buses.
- Buildings and land improvements with a book value of \$12,399.05 were removed from the capital asset listing in error.
- Current year expenditures for decorations were improperly recorded as a building improvement addition.

TWIGGS COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

- One current year equipment addition was incorrectly recorded as a building addition.
- The capital assets recorded in the general ledger do not agree to the capital assets listing or the capital assets note disclosure in the notes to the financial statements.

Expenditures/Liabilities/Disbursements

- Three expenditures did not have evidence of proper approval.
- One expenditure did not have appropriate documentation in the form of an invoice.
- Three expenditures had purchase orders that were slightly less than the invoice amount.

Insurance

- During a review of the School District's insurance coverage, it was noted that there was a lapse in coverage that resulted in the District being without coverage for a period of three days.

Employee Compensation

- During the review of employees' salaries, the following issues were noted:
 - One employee was incorrectly paid extended day for three months that were not earned.
 - One employee was coded incorrectly on the CS-1 report.
 - One employee, which requires an annual adjustment due to their position, was improperly calculated. In addition, the number of days used in the calculation of salary was incorrect. Errors resulted in an immaterial overpayment.
 - Board approved salary scales and supplements could not be provided to support the pay of multiple employees.

General Ledger

- The School District failed to record in the general ledger numerous financial statement entries from previous fiscal years. These journal entries have been repeated during the financial statement preparation process year after year because the general ledger has not been corrected.
- The Due to Other Funds and Due from Other Funds financial statement accounts were required in the financial statement preparation process to reconcile cash. Cash is incorrectly recorded between funds on the general ledger.
- During a review of fourteen journal entries recorded in the general ledger, the following issues were noted:
 - Twelve out of fourteen did not have evidence of the preparer.
 - Ten out of fourteen did not have evidence of the reviewer.
 - The School District's Chief Financial Officer prepares and approves her own journal entries.

Cause:

The LEA did not have enough accounting controls to prevent said findings from happening. In addition, the review process was not proactive, but was designed for a reactive approach.

Effect or Potential Effect:

Without satisfactory accounting controls and procedures in place, the School District could place itself in a position where potential misappropriation of assets could occur. In addition, the lack of controls impacted its reporting of financial position and results of operations.

TWIGGS COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

Recommendation:

The School District should review accounting procedures in place and design and implement procedures relative to the above controls categories to strengthen the internal controls over the accounting function. Management should ensure that proper separation of duties exists. In the case when management determines that separation of duties is not cost beneficial, management should implement compensating controls that assist in assuring that transactions are properly processed and reported.

Views of Responsible Officials:

We concur with this finding.

FS 2018-002

Internal Controls over Financial Reporting Process

Control Category:

Financial Reporting

Internal Control Impact:

Significant Deficiency

Compliance Impact:

None

Description:

The School District did not have adequate internal controls in place over the financial statement reporting process.

Criteria:

Management is responsible for having adequate controls over the preparation of financial statements in accordance with generally accepted accounting principles (GAAP). The School District's internal controls over GAAP financial reporting should include adequately trained personnel with the knowledge, skills and experience to prepare GAAP based financial statements and include all disclosures as required by the Governmental Accounting Standards Board (GASB).

The State Board of Education requires all School Districts to submit a complete set of financial Statements, ready for audit, by December 31 following the end of the fiscal year.

Condition:

The School District submitted by this date, but their financial statements, disclosures, and supplementary information were incomplete.

Cause:

The LEA originally submitted the financial statements by the deadline, however there were unforeseen changes that had to be made by the preparer, which resulted in the submission time to be altered.

Effect or Potential Effect:

The submission of incomplete financial statements resulted in the School District requesting to make corrections and present a complete set of financial statements during the audit.

Recommendation:

The School District should implement controls over the financial statement preparation process to ensure compliance with the State Board of Education's rule. The School District's submission should include a complete set of financial statements, disclosures, and supplementary information.

Views of Responsible Officials:

We concur with this finding.

TWIGGS COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FA 2018-001	<u>Improve Controls over Expenditures and Journal Entries</u>
Compliance Requirements:	Activities Allowed or Unallowed Allowable Costs/Cost Principles Period of Performance
Internal Control Impact:	Significant Deficiency
Compliance Impact:	Nonmaterial Noncompliance
Questioned Costs:	None Identified
Federal Awarding Agency:	U.S. Department of Agriculture
Pass-Through Entity:	Georgia Department of Education
CFDA Number and Title:	Child Nutrition Cluster (CFDA 10.553 and 10.555)
Federal Award Numbers:	18185GA324N1099, 18185GA324N1100
Federal Awarding Agency:	U.S. Department of Education
Pass-Through Entity:	Georgia Department of Education
CFDA Number and Title:	School Improvement Grants (CFDA 84.377)
Federal Award Number:	S377A170010
Questioned Costs:	None Identified

Repeat of Prior Year Findings: FA 2017-001, FA-2016-001

Description:

A review of expenditures and journal entries related to the Child Nutrition Cluster (CFDA 10.553 and 10.555) and journal entries related to the School Improvement Grants program (CFDA 84.377) revealed that the School District's internal control procedures were not operating appropriately to ensure that expenditures and journal entries were properly approved.

Criteria:

2 CFR 200.403 prescribes the factors affecting allowability of costs and states in part that "costs must meet the following general criteria in order to be allowable under Federal awards: (a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles... (c) Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the non-Federal entity... (g) Be adequately documented..."

In addition, 2 CFR 200.303(a) states in part that the "non-Federal must: (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award... (c) Evaluate and monitor the non-Federal entity's compliance with statutes, regulations and the terms and conditions of Federal awards."

Condition:

A sample of 40 Child Nutrition Cluster expenditures was selected for testing using a non-statistical sampling approach. Two additional Child Nutrition Cluster expenditures that exceeded the individually significant item threshold established were selected for testing, as well. These expenditures were reviewed to determine if appropriate internal controls were implemented and applicable compliance requirements were met. Four expenditure voucher packages did not reflect evidence of review and approval.

TWIGGS COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Additionally, a sample of 11 Child Nutrition Cluster journal entries and eight School Improvement Grants program journal entries was randomly selected for testing using a non-statistical sampling approach to determine if the activity was related to the appropriate period of performance. Five Child Nutrition Cluster journal entries and three School Improvement Grants program journal entries did not reflect appropriate evidence of review to ensure that the activity occurred during the period of performance.

Cause:

The LEA did not ensure adequate review was in place to mitigate risks.

Effect or Potential Effect:

Failure to ensure that expenditures and journal entries are documented appropriately exposes the School District to unnecessary risk of error and misuse of Federal Funds. Additionally, the School District is not in compliance with the Uniform Guidance and Georgia Department of Education guidance.

Recommendation:

The School District should review current internal control procedures related to Federal programs expenditures and journal entries. Where vulnerable, the School District should develop and/or modify its policies and procedures to ensure that all expenditures and journal entries reflect evidence of review for associated compliance requirements. Furthermore, management should develop and implement a monitoring process to ensure that controls are properly implemented.

Views of Responsible Officials:

We concur with this finding.

SECTION V

MANAGEMENT'S CORRECTIVE ACTION



TWIGGS COUNTY PUBLIC SCHOOLS

Generating Excellence: One Team... One Goal

SUPERINTENDENT
Mr. Elgin L. Dixon

MEMBERS, BOARD OF EDUCATION
Joanie Rainey, Chairperson • Isiah Rouse Jr., Vice Chairperson • Teresa Blackshear • Jacquez Harris • Shirley Stokes

CORRECTIVE ACTION PLANS - FINANCIAL STATEMENT FINDINGS

FS 2018-001	<u>Internal Control Procedures</u>
Control Category:	Accounting Controls (Overall) Cash and Cash Equivalents Capital Assets Expenditures/Liabilities/Disbursements Insurance Employee Compensation General Ledger
Internal Control Impact:	Material Weakness
Compliance Impact:	None
Repeat of Prior Year Finding:	FS 2017-001, FS 2016-001, FS 2015-001, FS 2015-003, FS 2014-003, FS 2014-005

The accounting procedures of the School District were insufficient to provide for adequate internal controls over numerous control categories.

Corrective Action Plans:

The LEA plans to review internal controls processes and implement new time management system.

Estimated Completion Date: February 2020

Contact Person: James F. Austin, III
Telephone: 478-945-3127 E-mail: jaustin@twiggs.k12.ga.us

Signature

The mission of Twigg County Public Schools is to inspire, challenge and prepare all students to compete globally.

952 Main Street | P.O. Box 232 | Jeffersonville, GA 31044 • 478-945-3127 (Tel) • 478-945-3078 (Fax) • www.twiggs.k12.ga.us



TWIGGS COUNTY PUBLIC SCHOOLS

Generating Excellence: One Team... One Goal

SUPERINTENDENT
Mr. Elgin L. Dixon

MEMBERS, BOARD OF EDUCATION

Joanie Rainey, Chairperson • Isiah Rouse Jr., Vice Chairperson • Teresa Blackshear • Jacquez Harris • Shirley Stokes

CORRECTIVE ACTION PLANS - FINANCIAL STATEMENT FINDINGS

FS 2018-002	<u>Internal Controls over Financial Reporting Process</u>
Control Category:	Financial Reporting
Internal Control Impact:	Significant Deficiency
Compliance Impact:	None

The School District did not have adequate internal controls in place over the financial statement reporting process.

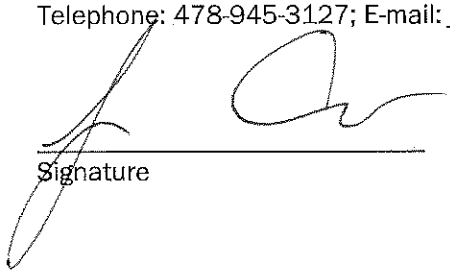
Corrective Action Plans:

The LEA will verify all corrections are made prior to the December 31, 2019 deadline.

Estimated Completion Date: December 31, 2019

Contact Person: James F. Austin, III

Telephone: 478-945-3127; E-mail: jaustin@twiggs.k12.ga.us



Signature

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SUPERINTENDENT
Mr. Elgin L. Dixon

MEMBERS, BOARD OF EDUCATION

Joanie Rainey, Chairperson • Isiah Rouse Jr., Vice Chairperson • Teresa Blackshear • Jacquez Harris • Shirley Stokes

CORRECTIVE ACTION PLANS – FEDERAL AWARD FINDINGS

FA 2018-001	<u>Internal Control Procedures</u>
Compliance Requirement:	Activities Allowed/Un-allowed Allowable Costs/Cost Principles Period of Performance
Internal Control Impact:	Significant Deficiency
Compliance Impact:	Nonmaterial Noncompliance
Federal Awarding Agency:	U.S. Department of Agriculture U.S. Department of Education
Pass-Through Entity:	Georgia Department of Education
CFDA Number and Title:	Child Nutrition Cluster (CFDA 10.553 and 10.555) School Improvement Grants (84.377)
Federal Award Number:	18185GA324N1099, 18185GA324N1100, S377A170010
Questioned Costs:	None Identified
Repeat of Prior Year Finding:	FA 2017-001, FA 2016-001

A review of the expenditures and journal entries charged to the Child Nutrition Cluster (CFDA 10.553 and 10.555) and journal entries charged to the School Improvement Grants (84.377) program revealed that internal control procedures were not in place to ensure expenditures and journal entries were properly approved.

Corrective Action Plans:

The LEA will create a review process to ensure capital asset listings and expenditures are reviewed timely.

Estimated Completion Date: February 2020

Contact Person: James F. Austin, III
Telephone: 478-945-3127; E-mail: jaustin@twiggs.k12.ga.us

Signature

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